



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0162	Title:	Revise laws related to the Montana digital academy
Primary Sponsor:	Schwaderer, Nicholas	Status:	As Amended in House Committee

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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$609,500	\$610,550	\$611,616	\$612,697
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$546,750	\$553,500	\$560,250	\$567,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 162 establishes a rate structure for charging fees for students who are enrolled in courses offered by the Montana Digital Academy. There is no direct fiscal impact on state support for the Montana Digital Academy.

FISCAL ANALYSIS

Assumptions:

- HB 162 amends the purpose of the Montana Digital Academy (20-7-1201, MCA) to include "offer[ing] courses that allow a student to meet the minimum graduation requirements established in the accreditation standards and enact[ing] enrollment policies allowing a student to pursue the student's high school diploma through online distance learning."
- HB 162, as amended, requires school districts that enroll students in the Montana Digital Academy (MTDA) to pay fees to MTDA for the enrollments.
- For purposes of this fiscal note, it is assumed MTDA enrollees would be high school or middle school program students. High school per-ANB entitlement rates apply to both high school and middle school program students.

4. The present law inflation applied to the Per-ANB entitlements (20-9-326, MCA) is 2.33% in FY 2016 and 1.79 % in FY 2017. HB 162, section 2(2) states that the calculation for per-ANB entitlement amounts would be for the 800th high school student pursuant to 20-9-306(15), MCA. That statute states that for each ANB after the first ANB the per-ANB entitlement will decrease at a rate of 50 cents per ANB of the district up through 800 ANB. Following is a table showing the high school per-ANB entitlements and the entitlement amount for the 800th ANB.

<u>Per ANB Entitlements</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
High School Per-ANB	\$6,847	\$6,970	\$7,056	\$7,134
Per-ANB for 800 th student	\$6,448	\$5,571	\$6,657	\$6,735

5. The fees for original credit courses as set in HB 162 as amended, would be 1/16th of the per-ANB entitlement for the 800th high school or middle school ANB multiplied by 20% for each course that a student takes up to three courses. For a fourth course and any additional courses, the fee would be 1/16th of the per-ANB entitlement multiplied by 10%.

Original Credit	Percentage Adjustment	FY 2016	FY 2017	FY 2018	FY 2019
First three courses	20%	\$80.59	\$82.13	\$83.21	\$84.18
Fourth course or more	10%	\$40.30	\$41.07	\$41.60	\$42.09

6. The fees for credit recovery courses as set in HB 162 as amended, would be 1/16th of the per-ANB entitlement multiplied by 20% for each course.

Original Credit	Percentage Adjustment	FY 2016	FY 2017	FY 2018	FY 2019
Credit Recovery	20%	\$80.59	\$82.13	\$83.21	\$84.18

7. The current enrollment at the MTDA is approximately 9,000 students. Forty-five percent of the enrollments are for original credit and fifty-five percent are for credit recovery.
8. For purposes of this fiscal note, OPI assumes an average fee per student of \$81 in FY 2016 and \$82 in FY 2017. It is assumed that enrollments in the MTDA will decline by 25% when per-student fees are charged for each course enrollment. The table below shows the fees to be paid by schools.

% Decline in MTDA Enrollment	Revised MTDA Enrollment	FY 2016 Cost to Schools	FY 2017 Cost to Schools	FY 2018 Cost to Schools	FY 2019 Cost to Schools
25%	6,750	\$546,750	\$553,500	\$560,250	\$567,000

9. The MTDA does not currently have administrative expenses associated with charging fees for courses. The MTDA estimates that the personnel and operating costs associated with assessing fees, invoicing schools and collecting receivables would require 1.00 FTE at a cost of \$70,000 per year.
10. HB 162, as amended, requires the MTDA to compensate teachers of original credit courses at a rate of \$500 per course plus \$120 for every student enrolled. Assuming 50 original credit courses for 45% of 6,750 students, the cost for original credit courses teachers would be approximately \$389,500.
11. HB 162 requires the MTDA to compensate teachers of credit recovery courses at a rate of \$3,000 per course to supervise no more than 100 students at any time. Assuming 50 recovery credit courses, the cost for credit recovery courses teachers would be approximately \$150,000.
12. For purposes of this fiscal note, it is assumed that the revenue is deposited to a non-budgeted fund to be used by the digital academy to pay teachers and operating expenses of the MTDA.

13. HB 162 states that this revenue is in addition to any amount appropriated to the MTDA by the legislature. Currently, MTDA has base funding of \$1,168,000 in the Office of Public Instruction base budget.
14. Section 3 of HB 162, as amended, directs that the MTDA may not limit the number of students enrolled or the number of courses students are allowed to enroll in. There is no guarantee that the revenue generated from the fees set forth in this bill, with or without the base appropriation and any additional appropriation from the Legislature, will provide enough funding to meet the requirements in Section 3 of the bill.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$70,000	\$71,050	\$72,116	\$73,197
Teacher Compensation	\$539,500	\$539,500	\$539,500	\$539,500
TOTAL Expenditures	\$609,500	\$610,550	\$611,616	\$612,697
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$609,500	\$610,550	\$611,616	\$612,697
TOTAL Funding of Exp.	\$609,500	\$610,550	\$611,616	\$612,697
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$546,750	\$553,500	\$560,250	\$567,000
TOTAL Revenues	\$546,750	\$553,500	\$560,250	\$567,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$62,750)	(\$57,050)	(\$51,366)	(\$45,697)

Effect on County or Other Local Revenues or Expenditures:

1. Local school districts would be responsible for paying the assessed fees for the MTDA courses of over \$0.5 million per year.

Long-Term Impacts:

1. Enrollments in the MTDA are expected to decline, and fewer original credit courses are likely to be offered to middle and high school students.

Technical Notes:

1. The MTDA does not offer an accredited high school program and is not authorized to issue a high school diploma. Section 1 of HB 162 as amended, directs the MTDA to “offer courses that allow a student to meet the minimum graduation requirements established in the accreditation standards and enact enrollment policies allowing a student to pursue the student’s high school diploma through online distance learning.” A student can earn credits toward graduation through online distance learning, but the student receives a diploma from the high school in which the student is enrolled, not from the MTDA.

Sponsor’s Initials_____
Date_____
Budget Director’s Initials_____
Date